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The Honorable John Boehner
Majority Leader
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives
Washington, D.C. 20515

Re: Setting the Record Straight on Credit Unions

Dear Speaker Boehner and Leader Pelosi:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents the interests of our nation's federal credit unions, I write today to set the record straight in response to recent attacks against credit unions made by the American Bankers Association (ABA) in print and radio ads.

With the ever increasing regulatory burden on all financial institutions, we would hope that the banking trades and their members would be more focused on working with their counterparts in the financial services industry to achieve meaningful regulatory relief that will allow all financial institutions to better serve consumers. Instead, the ABA has put resources into these attacks that could be better dedicated to regulatory relief efforts. The fact remains that if the nation's largest banks were more responsible to begin with, the financial crisis may not have reached such epic proportions, and the kind of regulatory burden the entire industry faces today may not be a reality. The numbers speak for themselves when you look at big bank fines and various settlements and buy-backs stemming from the financial crisis:

- Bank of America - $55.7 Billion
- JPMorgan Chase - $23.8 Billion
- Citigroup - $10.6 Billion
- Wells Fargo - $6.5 Billion

These numbers continue to increase and do not even reflect the fact that UBS, Ocwen Financial, Deutsche Bank, SunTrust, Goldman Sachs, Morgan Stanley, S&P and Credit Suisse all have also had over $1 billion each in fines and various settlements and buy-backs stemming from the financial crisis.

We hope that the ABA will change their approach and they will focus instead their resources on issues that can help the entire financial services community, such as regulatory relief and creating a national data security standard for those who don't currently have one, including retailers and others who handle consumer financial data.

In the meantime, we want to be sure you know the facts about credit unions. As NAFCU has communicated to you before, the cumulative benefit credit unions provide the greater economy totals over $17 billion a year according to an independent study released by NAFCU last year. As the study also shows, altering the tax status of credit unions would have a devastating impact not only on credit union members across the country, but also on consumers and small businesses in general. Eliminating the credit union tax exemption would result in the loss of 150,000 jobs a year, a shrinking of the GDP and a net *loss* of revenue to the federal government. You can read the study at: www.nafcu.org/cutaxexemption.

While the banking trades claim credit unions threaten the business done by other financial institutions, this is simply untrue. What they did not tell you is that a 2011 study commissioned by the Small Business Administration's (SBA) Office of Advocacy found that bank business lending was largely unaffected by changes in credit unions' business lending, and credit unions' business lending can actually help offset declines in bank business lending during a recession (James A. Wilcox, *The Increasing Importance of Credit Unions in Small Business Lending*, Small Business Research Summary, SBA Office of Advocacy, No. 387 (Sept. 2011)). The study indicates that during the 2007-2010 financial crisis, while banks' small business lending decreased, credit union business lending increased in terms of the percentage of their assets both before and during the crisis. Clearly, credit unions were making loans when banks did not want to. Furthermore, when they attack credit unions and make false claims about serving underserved populations, they conveniently forget to mention that ABA once sued the National Credit Union Administration (NCUA) to limit credit union access to underserved areas.

The bankers continue to claim that credit unions have unfair advantages and should be taxed. If credit unions have such an extraordinary advantage, why aren't banks lining up to convert to credit unions? What the bankers do not tell you is that nearly 1/3 of banks are Subchapter S corporations and pay no corporate income tax. Yes, they pay other taxes, but so do credit unions and their over 100 million member-owners who pay personal income taxes on the dividends they get from their credit union. Credit unions actually pay many taxes, such as property taxes, payroll taxes and state and local taxes. Next time a banker complains to you about credit unions, we would urge you to ask them if they have looked at converting to one.

Simply put, the tax exemption is an issue of survival for credit unions. Despite what the bankers claim, there remain significant regulatory and statutory differences between not-for-profit member-owned credit unions and other types of financial institutions – including limits on who they can serve and their ability to raise capital. As you know, during the financial crisis credit unions continued to lend to consumers and small businesses that were left behind by our nation's mega-banks. Credit unions are proud of their continued service to Main Street America.

Thank you for the opportunity to set the record straight and for your strong continued support of credit unions. If I can be of assistance to you, or if you have any questions regarding this issue, please feel free to contact me or NAFCU's Vice President of Legislative Affairs Brad Thaler at (703) 842-2204.

Sincerely,

Thanks for your continued help and support!

B. Dan Berger
President & CEO

cc: Members of the United States House of Representatives